State of California
DEPARTMENT OF TRANSPORTATION

Business, Transportation and Housing Agency

M e m o r a n d u m

To: CHAIR AND COMMISSIONERS

CTC Meeting: November 8-9, 2006

Reference No.: 3.5
Information Item

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Subject: **2006 ANNUAL REAL PROPERTY SERVICES REPORT**

AIRSPACE

SUMMARY:

In Fiscal Year (FY) 2005-06, total revenue was $19.50 million, up from $18.30 million last year. Airspace revenues can be broken down between ground leases that generated $15.40 million, with the wireless component generating an additional $4.10 million. Revenues from the leasing of State owned property are deposited into the Public Transportation Account (PTA), via the State Highway Account (SHA). The Department of Transportation's (Department) operating expenses decreased to $1.95 million, versus $2.13 million in FY 2004-05.

The airspace inventory is 586 leased sites, including 152 wireless sites. Income for the wireless program fluctuates year to year depending on which fiscal year annual payments are actually made. Due to this fluctuation, average income over a period of years is more reflective. The Department continues to approve installations of wireless sites within freeway rights-of-way, and the number of approved sites continues to increase every year since the Airspace Program's (Program) inception.

Possessory interest taxes paid by airspace tenants to the local cities and counties this fiscal year totaled approximately $4.70 million, versus $4.40 million last fiscal year. The increase in possessory interest taxes is tied to the increase in gross revenues, as the tax determination is calculated as a percentage of lease revenues.

The Program anticipates steady growth this fiscal year with stable staffing and operating expenses.

BACKGROUND:

The Program leases operating right-of-way for multiple uses, including wireless tower sites. Airspace is defined as any property within the right-of-way limits of an existing operating highway which is capable of other uses without undue interference with the operation and foreseeable future expansion of the transportation corridor for highway or other transportation uses. The goal of the Program is to maximize public and private multiple use of the right-of-way, in concert with community needs and good land-use planning. The Program's goal is to maximize revenue and the utilization of airspace in compliance with the Department's goals and objectives.

As reported in the past four annual reports to the California Transportation Commission, the Program has been impacted by the seismic retrofit program and the reconstruction of the west approach to the Bay Bridge in San Francisco. These construction activities, combined with the transfer requirements of Senate Bill 798 (Burton) and legislative efforts on the Transbay Terminal, have adversely impacted some of the most profitable airspace sites in the State.

A new potential source of revenues from telecommunication placements in controlled-access rights-of-way (e.g. fiber optics) was anticipated to generate increases in revenue for FY 2005-06, but there was little demand. At the request of the Administration, the compensation requirements were suspended in August 2006.

EXCESS LAND SALES

SUMMARY:

For FY 2005-06, the Department's Excess Land Sales units disposed of 155 properties valued at $20,561,271. The return to the PTA, via the SHA, was $23,331,928 during the fiscal year.

The Department continues to emphasize the sale of surplus property not needed for future transportation projects. In conjunction with the Director's Master Action Plan, the Department has identified 116 properties that are available for sale (as of July 1, 2006), 82 of which will be sold this fiscal year. The Department's goal is to dispose of the remaining 34 properties in FY 2007-08. Department Progress reports on the sale of these disposal units will be provided on a quarterly basis.

While it can be difficult to identify additional specific properties for sale on an individual basis, the Department anticipates that an additional 68 properties from previously identified inventory will be sold this fiscal year as well, raising the overall target for the fiscal year to approximately 150 disposal units sold.

In addition, the Department's Real Property Retention Review Committee has identified 524 properties that were being held by the Department that are now released from functional need forecasts. The Department is developing an action plan for their disposal.

BACKGROUND:

The conveyances of excess State-owned real property, including exchanges, are pursuant to Section 118 of the Streets and Highways Code. Excess Land is defined as property that has been certified to be not required for rights of way or other operational purposes of the Department. The Department's goals in the disposal of excess land are to maximize the return on the sale of such properties, and reduce the Department's maintenance responsibilities and liability exposure, while at the same time supporting our local partners by returning properties to local tax rolls.